

**Township of Higgins**  
**Roscommon County, Michigan**  
**Audited Financial Statements**  
**March 31, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF HIGGINS	County ROSCOMMON
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 23, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE  
N

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE, COOK, MILLER & ALEXANDER		Telephone Number (989) 732-7515	
Street Address 100 WEST FIRST STREET		City GAYLORD	State MI
Authorizing CPA Signature		Printed Name JAMES D. CAMILLER, CPA	Zip 49735
		License Number 1101027621	

**Township Officials**

Supervisor

June Karjalainen

Clerk

Terry Morley

Treasurer

Janae Ostling

**Trustees**

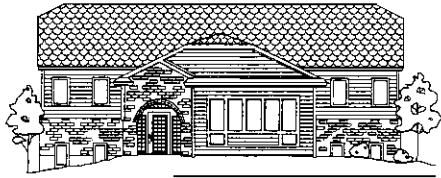
Laurie Granlund

Mary Krauss

## **Township of Higgins**

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Keskin, Cook, Miller & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Curt A. Reppuhn, C.P.A.

### Independent Auditor's Report

August 23, 2006

To the Township Board  
Higgins Township  
Roscommon County, Michigan

We have audited the general purpose financial statements of the Township of Higgins, as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Higgins Township has not implemented the provisions of this Statement. In addition, the Township does not account for a general fixed asset account group.

As described in Note 2, the Township's policy is to perform accounting on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

In our opinion, because of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Higgins Township as of March 31, 2006, or the results of its operations for the year then ended.

  
Keskin, Cook, Miller & Alexander, LLP

**TOWNSHIP OF HIGGINS**  
**COMBINED STATEMENT OF ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL FUND TYPES**  
**MARCH 31, 2006**

	Governmental Fund Types			Fiduciary Fund Type		Total (Memorandum Only)
	General Fund	Special Revenue Funds	Capital Project - Public Improve- ment Fund	Trust and Agency		
<b>Assets</b>						
Cash and equivalents	\$ 281,092	\$ 220,621	\$ 4,261	\$ 5,757	\$	511,731
Cash - restricted	-	155,243	-	-		155,243
Total assets	\$ 281,092	\$ 375,864	\$ 4,261	\$ 5,757	\$	666,974
<b>Liabilities</b>						
Payroll tax withholding	\$ 578	\$ -	\$ -	\$ -	\$	578
Due to other governments	-	-	-	5,757		5,757
Total liabilities	578	-	-	5,757		6,335
<b>Cash Basis Fund Balance</b>						
Restricted:						
Restricted for fire equipment	-	145,119	-	-		145,119
Restricted for ambulance equipment	-	10,124	-	-		10,124
Unrestricted	280,514	220,621	4,261	-		505,396
Total cash basis fund balance	280,514	375,864	4,261	-		660,639
Total liabilities and cash basis fund balance	\$ 281,092	\$ 375,864	\$ 4,261	\$ 5,757	\$	666,974

See accompanying notes to financial statements

**TOWNSHIP OF HIGGINS**  
**COMBINED STATEMENT OF REVENUE COLLECTED, EXPENDITURES**  
**PAID, AND CHANGES IN CASH BASIS FUND BALANCE**  
**ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED MARCH 31, 2006**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
<b>Revenue collected</b>				
Taxes and assessments	\$ 189,050	\$ 199,224	\$ -	\$ 388,274
State sources	64,953	-	-	64,953
Charges for services	12,602	130,875	-	143,477
Permit revenue	11,873	-	-	11,873
Interest	4,140	8,726	318	13,184
Miscellaneous	4,058	3,694	-	7,752
Total revenue collected	286,676	342,519	318	629,513
<b>Expenditures paid</b>				
General government	169,867	-	-	169,867
Public safety	10,419	204,283	-	214,702
Public works	88,147	-	14,206	102,353
Recreation and culture	5,500	-	-	5,500
Capital outlay	-	75,348	-	75,348
Total expenditures paid	273,933	279,631	14,206	567,770
Excess (deficiency) of revenue collected over (under) expenditures paid	12,743	62,888	(13,888)	61,743
<b>Other financing sources (uses)</b>				
Operating transfer in	-	-	4,996	4,996
Operating transfer out	(4,996)	-	-	(4,996)
Total other financing sources (uses)	(4,996)	-	4,996	-
Excess (deficiency) of revenue collected over (under) expenditures paid and other financing sources (uses)	7,747	62,888	(8,892)	61,743
<b>Cash basis fund balance - beginning of year</b>	272,767	312,976	13,153	598,896
<b>Cash basis fund balance - end of year</b>	\$ 280,514	\$ 375,864	\$ 4,261	\$ 660,639

See accompanying notes to financial statements

**TOWNSHIP OF HIGGINS**  
**COMBINED STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,**  
**AND CHANGE IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2006**

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue collected</b>						
Property tax revenue	\$ 187,780	\$ 189,050	\$ 1,270	\$ 206,124	\$ 199,224	\$ (6,900)
Charges for services	8,200	12,602	4,402	100,000	130,875	30,875
Permit revenue	9,200	11,873	2,673	-	-	-
State sources	64,700	64,953	253	-	-	-
Miscellaneous	3,000	4,058	1,058	1,000	3,694	2,694
Interest	2,000	4,140	2,140	2,400	8,726	6,326
Total revenue collected	274,880	286,676	11,796	309,524	342,519	32,995
<b>Expenditures paid</b>						
General government	180,186	169,867	10,319	-	-	-
Public safety	11,762	10,419	1,343	237,239	204,283	32,956
Public works	89,500	88,147	1,353	-	-	-
Recreation and culture	5,000	5,500	(500)	-	-	-
Capital outlay	-	-	-	22,000	75,348	(53,348)
Total expenditures paid	286,448	273,933	12,515	259,239	279,631	(20,392)
Excess (deficiency) of revenue collected over (under) expenditures paid	(11,568)	12,743	24,311	50,285	62,888	12,603
<b>Other financing uses</b>						
Operating transfers out	(4,196)	(4,996)	(800)	-	-	-
Excess (deficiency) of revenue collected over (under) expenditures paid and other financing uses	(15,764)	7,747	23,511	50,285	62,888	12,603
<b>Cash basis fund balance - beginning of year</b>	272,767	272,767	-	312,976	312,976	-
<b>Cash basis fund balance - end of year</b>	\$ 257,003	\$ 280,514	\$ 23,511	\$ 363,261	\$ 375,864	\$ 12,603

See accompanying notes to financial statements



**TOWNSHIP OF HIGGINS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 1: ENTITY**

The Township of Higgins is a general law township of the State of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including general government, public safety, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Higgins Township.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various fund in the financial statements in this report, are grouped into two generic fund types listed below.

**Governmental Funds**

**General Fund** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, charges for services and investment income.

**Special Revenue Funds** - Special revenue funds are to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Fire and Ambulance are recorded under this category.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the development of capital facilities and road projects.

TOWNSHIP OF HIGGINS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fiduciary Funds**

Agency Funds - Agency funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Property tax collection for other governmental is the only fiduciary activity.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Township of Higgins has implemented a cash basis of accounting which is not an acceptable method under accounting principals generally accepted in the United States of America. Under a cash basis of accounting, revenues and expenditures are recorded when cash is received or paid.

**Capital Assets**

Purchases of capital assets are recorded as expenditures in the general, special revenue, and capital projects fund at the time the Township relinquishes the cash associated with those purchases; however, the Township does not maintain an updated listing of capital assets owned by the Township and no disclosures are made in these financial statements regarding the amount of capital assets.

**Property Taxes**

The property tax calendar is as follows:

Levy Dates	July 1, 2005	(Summer Collection)
	December 1, 2005	(Winter Collection)
Due Dates	September 15, 2005	(Summer Collection)
	February 15, 2006	(Winter Collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2006. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after their due dates are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's tax levy by May 31.

TOWNSHIP OF HIGGINS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes (Continued)**

The tax rates for the year ended March 31, 2006, were as follows:

<u>Purpose</u>	<u>Rate / Assessed Valuation</u>
General	\$ 1.3500 per \$1,000
Fire/Ambulance	3.5000 per \$1,000
Roads	1.0000 per \$1,000

**Fund Balance**

Restrictions are established to identify the existence of assets that are restricted to a future use and to indicate that financial resources are not available for current appropriations or expenditure.

**Budget**

Each year the Township formulates and adopts a budget as follows:

1. In January or February a preliminary budget is prepared for all funds.
2. Review and annual budget hearing are held in March.
3. Budget is adopted at a township board meeting in March

The budget as prepared conformed to P.A. 621 of 1978. The budget is prepared on the cash basis of accounting for all funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level.

**Use of Estimates**

The preparation of these financial statements requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 3: CASH**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

**TOWNSHIP OF HIGGINS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 3: CASH (CONTINUED)**

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Higgins Township's deposits and investment policies are in accordance with statutory authority.

The Township's deposits are included on the balance sheet under the following classifications:

Cash	\$ 511,731
Cash - restricted	<u>155,243</u>
	<u><u>\$ 666,974</u></u>

All of the Township's cash balance as of March 31, 2006 is in bank deposits—checking accounts and savings accounts.

**Deposits**

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$661,217, of which \$100,578 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4: RESTRICTED FUND BALANCES**

**Special Revenue Funds** – The fund balance of the fire fund and ambulance fund are restricted in the amounts of \$145,119 and \$10,124 respectively, for the future acquisition of equipment.

**TOWNSHIP OF HIGGINS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE 5: PENSION PLAN**

The Township contributes to a defined contribution pension plan through Manufacturer's Life Insurance Company. Michigan Compiled Laws, Section 38.1132 authorizes the Township pension plan to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property. The plan is available for the Township Board and the zoning and building administrators. The Township contributes 15% of all eligible officials and employees' wages. During the year ended March 31, 2006, the Township contributed \$8,676 to the plan on behalf of its officials and employees.

**NOTE 6: INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance.

The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including employee health and accident insurance.

**NOTE 7: TOTAL (MEMORANDUM) ONLY COLUMN**

The total column on the combined statements is captioned memorandum only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HIGGINS  
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,  
AND CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED MARCH 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenue collected</u></b>			
<b>Taxes and assessments:</b>			
Real and personal property tax	\$ 71,280	\$ 64,057	\$ (7,223)
Swamp tax	31,000	31,576	576
Trash special assessment	85,500	93,417	7,917
	<hr/>	<hr/>	<hr/>
Total taxes and assessments	187,780	189,050	1,270
<b>State sources</b>	64,700	64,953	253
<b>Charges for services</b>	6,400	12,602	6,202
<b>Permit revenue</b>			
Building permits	4,500	4,189	(311)
Plumbing & mechanical permits	3,000	4,750	1,750
Electrical permits	1,700	2,934	1,234
	<hr/>	<hr/>	<hr/>
Total permit revenue	9,200	11,873	2,673
<b>Interest</b>	2,000	4,140	2,140
<b>Miscellaneous</b>	4,800	4,058	(742)
	<hr/>	<hr/>	<hr/>
Total revenue collected	274,880	286,676	11,796

**TOWNSHIP OF HIGGINS**  
**STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Expenditures paid</u></b>			
<b>General Government:</b>			
<b>Township Board:</b>			
Trustees salary	3,464	3,464	-
Supplies	5,500	4,477	1,023
Equalization	3,600	3,564	36
Postage	3,635	3,635	-
Legal	18,000	17,114	886
Fireworks	500	-	500
Miscellaneous	5,500	5,134	366
Dues and memberships	2,500	1,674	826
Office equipment	4,700	3,978	722
Fringes	13,500	12,937	563
Insurance and bonds	20,511	19,392	1,119
Zoning	5,400	4,384	1,016
Total Township Board	<u>86,810</u>	<u>79,753</u>	<u>7,057</u>
<b>Supervisor:</b>			
Salary	12,050	12,050	-
Travel	400	179	221
Total Supervisor	<u>12,450</u>	<u>12,229</u>	<u>221</u>
<b>Elections:</b>			
Wages	750	397	353
Supplies	-	6	(6)
Total Elections	<u>750</u>	<u>403</u>	<u>347</u>
<b>Assessor:</b>			
Salary	27,311	27,311	-
Supplies	1,200	876	324
Total Assessor	<u>28,511</u>	<u>28,187</u>	<u>324</u>

**TOWNSHIP OF HIGGINS**  
**STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Clerk:</b>			
Salary	17,273	17,273	-
Contract Labor	400	-	400
<b>Total Clerk</b>	<b>17,673</b>	<b>17,273</b>	<b>400</b>
<b>Board of Review:</b>			
Wages	1,000	826	174
Miscellaneous	-	33	(33)
<b>Total Board of Review</b>	<b>1,000</b>	<b>859</b>	<b>141</b>
<b>Treasurer:</b>			
Salary	20,084	20,084	-
Contract labor	500	28	472
<b>Total Treasurer</b>	<b>20,584</b>	<b>20,112</b>	<b>472</b>
<b>Building and grounds:</b>			
Telephone	2,000	1,878	122
Electric	1,200	1,049	151
Heating	1,297	1,289	8
Water & sewer	300	286	14
Lawn maintenance	1,500	1,327	173
Building & grounds	3,300	2,412	888
Snowplowing	900	900	-
Security	1,436	1,435	1
Constable's salary	475	475	-
<b>Total building and grounds</b>	<b>12,408</b>	<b>11,051</b>	<b>1,357</b>
<b>Total general government</b>	<b>180,186</b>	<b>169,867</b>	<b>10,319</b>



**TOWNSHIP OF HIGGINS**  
**STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,**  
**AND CHANGES IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Public Safety:</b>			
Building Inspector	4,275	3,032	1,243
Plumbing & mechanical Inspector	4,560	4,460	100
Electrical Inspector	2,927	2,927	-
<b>Total public safety</b>	<b>11,762</b>	<b>10,419</b>	<b>1,343</b>
<b>Public Works:</b>			
Street lights	4,500	4,244	256
Trash pickup	80,000	79,004	996
Compost	5,000	4,899	101
<b>Total public works</b>	<b>89,500</b>	<b>88,147</b>	<b>1,353</b>
<b>Parks &amp; Recreation</b>	<b>5,000</b>	<b>5,500</b>	<b>(500)</b>
<b>Total expenditures paid</b>	<b>286,448</b>	<b>273,933</b>	<b>12,515</b>
Excess (deficiency) of revenue collected over (under) expenditures paid	(11,568)	12,743	24,311
<b>Other Uses</b>			
Transfer to other funds	4,196	4,996	(800)
Excess (deficiency) of revenue collected over (under) expenditures paid and other uses	(15,764)	7,747	(23,511)
<b>Cash basis fund balance -     beginning of year</b>	<b>272,767</b>	<b>272,767</b>	<b>-</b>
<b>Cash basis fund balance - end of     year</b>	<b>\$ 257,003</b>	<b>\$ 280,514</b>	<b>\$ 23,511</b>

TOWNSHIP OF HIGGINS  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 ARISING FROM CASH TRANSACTIONS  
 SPECIAL REVENUE FUNDS  
 MARCH 31, 2006

	Ambulance Fund	Fire Fund	Total
<b>Assets</b>			
Cash	\$ 150,898	\$ 69,723	\$ 220,621
Cash - restricted	10,124	145,119	155,243
	<u>\$ 161,022</u>	<u>\$ 214,842</u>	<u>\$ 375,864</u>
<b>Cash basis fund balance</b>			
Restricted for fire equipment	\$ -	\$ 145,119	\$ 145,119
Restricted for ambulance equipment	10,124	-	10,124
Unrestricted	150,898	69,723	220,621
	<u>\$ 161,022</u>	<u>\$ 214,842</u>	<u>\$ 375,864</u>

TOWNSHIP OF HIGGINS  
 COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES  
 PAID, AND CHANGES IN CASH BASIS FUND BALANCE  
 SPECIAL REVENUE FUNDS  
 YEAR ENDED MARCH 31, 2006

	Ambulance Fund	Fire Fund	Total
<b>Revenue collected</b>			
Taxes and assessments	\$ 47,450	\$ 151,774	\$ 199,224
Charges for services	130,875	-	130,875
Interest	3,593	5,133	8,726
Miscellaneous	1,000	2,694	3,694
	<hr/>	<hr/>	<hr/>
Total revenue collected	182,918	159,601	342,519
<b>Expenditures paid</b>			
Public safety	147,521	56,762	204,283
Capital outlay	5,445	69,903	75,348
	<hr/>	<hr/>	<hr/>
Total expenditures paid	152,966	126,665	279,631
	<hr/>	<hr/>	<hr/>
Excess of revenue collected over expenditures paid	29,952	32,936	62,888
<b>Cash basis fund balance - beginning of year</b>	<hr/> 131,070	<hr/> 181,906	<hr/> 312,976
	<hr/>	<hr/>	<hr/>
<b>Cash basis fund balance - end of year</b>	<hr/> \$ 161,022	<hr/> \$ 214,842	<hr/> \$ 375,864
	<hr/>	<hr/>	<hr/>



**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

August 23, 2006

To the Township Board  
Township of Higgins, Roscommon County

We have audited the financial statements of Higgins Township for the year ended March 31, 2006, and have issued our report thereon dated August 23, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 30, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Higgins Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Higgins Township are described in the notes to the financial statements.

We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached page summarizes the adjustments that were proposed to management and made to the audited financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. Higgins Township has not implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The implementation of this GASB Statement was required for Higgins Township beginning April 1, 2005. Due to the Township's failure to implement this Standard, we have issued Higgins Township an adverse opinion on your audited financial statements for the year ended March 31, 2006.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

The financial records of Higgins Township were well organized and we are happy to report that there were no difficulties in performing the audit.

### **Comments and Recommendations – Material Weaknesses and Reportable Conditions**

In planning and performing our audit of the financial statements of Higgins Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Higgins Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

- The Township Clerk currently maintains the outstanding ambulance invoice files, follows-up on past-due accounts, and receives ambulance payments. An integral component of internal control dictates that one individual should not be responsible for both the cash receipt and record keeping functions of a particular class of transactions. We recommend that the Clerk continue to maintain the outstanding invoice files and be responsible for collections of past-due ambulance accounts, but that all payments to the Township be receipted initially by the Township Treasurer.
- In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The adoption of this Statement substantially changes the appearance and content of local unit of government’s financial statements. Higgins Township, based upon their size, had an implementation deadline of April 1, 2005. As of our report date, Higgins Township has failed to implement the provisions of GASB 34.

Higgins Township is the only municipality in Northern Michigan, that we are aware of, that has not implemented GASB 34.

The State of Michigan requires all local units of government to be in compliance with generally accepted accounting policies. The Township’s failure to implement GASB 34 has resulted in an adverse opinion being given on your March 31, 2006 financial statements stating that the Township’s financial statements do not comply with generally accepted accounting principles.

We recommend that the Township adopt the provisions of GASB 34 immediately in order to be in compliance with generally accepted accounting principles and the State of Michigan’s requirements.

We also noted the following reportable conditions that are not believed to be material weaknesses.

- The Township Treasurer is responsible for all Township bank accounts and the Clerk maintains the accounting records. Monthly, the Treasurer and Clerk should compare cash balances between what is reported on the bank statements to what is shown in the general ledger. The Treasurer and Clerk balanced their cash balances as of March 31, 2006; however, we noted that they were out of balance for the months of April through July of 2006. We recommend that the Township Clerk and Treasurer balance the cash balances between the bank records and the general ledger on a monthly basis.

#### **Comments and Recommendations – Additional**

In addition to the material weakness and reportable condition noted above, we have the following recommendations:

- Building permit revenues are received by the Clerk and the Supervisor since the Treasurer does not maintain an office in the Township's office. When receipting building permit revenue, the Township does not utilize a pre-numbered receipt system. We recommend that the Township Clerk / Supervisor fill-out a pre-numbered three-part receipt to provide one copy to the customer, one copy to the Clerk, and the third part to the Treasurer.
- We noted that the Township's Bank One money market account still bears the name of Laurie Granlund – the former Treasurer. We recommend that the current Township Treasurer update the account with Bank One to remove Laurie's name from the account.
- In June 2005, the Township approved the use of a Township credit card by adopting a credit card policy. Often, credit card companies raise their customer's credit limits on a periodic basis. We recommend that the Township periodically review their credit card limits to ensure that the limits remain in compliance with the Township's credit card policy.
- Monthly, the Clerk provides the Board with a listing of all invoices that need to be paid. We noted one month in which the listing of invoices to be paid included a credit card bill; however, no additional detail regarding the credit card purchases was provided. We recommend that the Township Clerk provide a copy of the credit card statement to the Board when obtaining approval to pay the credit card bill.
- The Township fire department's administrative employee provides to the Township Clerk a spreadsheet detailing the fire department and ambulance employee's wages earned via runs, extra hours, meetings, etc. Currently, there is no indication of a supervisors approval of the fire fighter's / EMT's pay, although it is our understanding that an approval process does take place. We recommend that a supervisor from the fire department / ambulance indicate their approval on these pay spreadsheets by initializing them.
- The Township Treasurer prepares receipts for the receipt of payments to the Township. On the receipt is a line for the Treasurer to indicate the general ledger account number necessary to properly classify the revenue in the Township's general ledger. Based upon the account number, the Clerk records the transaction in the Township's general ledger. We noted that the Treasurer is incorrectly indicating the bank account number and not the general ledger account number. We recommend that the Treasurer indicate the general ledger account number in compliance with the State of Michigan's uniform chart of accounts on the receipts.
- When writing checks, the Township Clerk types the payee, date, and the dollar amount (in words) onto three-part carbon checks. The Clerk forwards these in-process checks to the Treasurer who uses a check stamping machine to stamp the dollar amount (in numbers) onto the check. To improve efficiency, we recommend that the Township Clerk complete the entire check via typewriter prior to providing to the Treasurer to obtain her signature.
- The Township Clerk currently uses a manual accounting system composed of various hand-written accounting journals. Although the Clerk's manual system is very accurate, we believe it to be inefficient. Computerized general ledger accounting systems can dramatically improve efficiency, accuracy, and reporting information available for the

Board. Numerous software vendors are available that produce and support governmental accounting general ledger packages.

If the Township decides to implement GASB 34, the use of computerized general ledger software would greatly simplify the entire process. For example, under GASB 34, ambulance revenue would need to be tracked on both the modified accrual basis of accounting and the full accrual basis of accounting. Manually tabulating the outstanding ambulance bills by hand under two methods of accounting would be a difficult task.

We recommend that the Township consider purchasing a computerized, governmental accounting, general ledger package from a reputable provider.

This report is intended solely for the information and use of Higgins Township's Board, management, and others within the administration of Higgins Township and is not intended to be and should not be used by anyone other than these specified parties.

  
Keskin, Cook, Miller & Alexander LLP